

ORIGINAL

Thomas J. Bourassa
CERTIFIED PUBLIC ACCOUNTANT
139 W. Wood Drive
Phoenix, Arizona 85029



28

August 31, 2009

Nancy Scott
Chief Accountant, Financial and Regulatory Section
Utilities Division
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007-2927

DOCKETED

AUG 31 2009

DOCKETED BY

AZ CORP COMMISSION
DOCKET CONTROL

2009 AUG 31 P 2:36

RECEIVED

Re: Sahuarita Water Company
Application for rate increase - Docket No. W-03718A-09-0359

Dear Ms Scott,

In reference to the Letter of Deficiency dated August 14, 2009, the Company hereby submits responses to Staff's deficiency items as follows:

Item 1 – Schedule H-5 should include bill counts for the annualized bills

Company Response - Schedule H-5 reflects the test year actual number of bills as required. The information for the Company's proposed revenue annualization including the annualized number of bills by meter size and class is included on Schedule C-2, pages 5.1 to 5.10 and summarized on Schedule H-1, page 2. The Company does not believe a revision to the H-5 is required as all information necessary is contained in the Application.

Item 2 - The title on Schedule H-5, page 11, should be changed to "1 Inch Irrigation."

Company Response - Please find the attached revised H-5, page 11.

Item 3 - If the \$15,240 amount shown on Schedule H-1, page 3, line 16, represents actual water usage, a bill count is required as well as rate information. Otherwise, please explain why the amount was included in "Metered Revenues" rather than "Other Water Revenues" in accordance with the NARUC USOA.

Company Response – The \$15,240 is reimbursement of purchased power expense from the Town of Sahuarita for a shared well. This revenue is not metered water revenue. The reimbursements were incorrectly recorded in Metered Water Sales during the test year.

If Staff wishes to propose a different treatment, it may do so at its discretion. The Company will evaluate Staff's proposal at the appropriate time.

Item 4 - Total actual operating expense shown on Schedule A-2, line 3, for the years 2008-Actual, 2009-Present Rates, and 2009-Proposed Rates in the amounts of \$1,772,498, \$2,044,524, and \$2,487,149, respectively does not agree to the total actual operating expense shown on Schedule F-1, line 28 for the same years of \$1,697,075, \$1,969,101, and \$2,411,726.

Company Response – Please find the attached revised A-2. See also response to Item 5.

Item 5 - Total actual operating expenses in the amount of \$1,697,075 shown on Schedule F-1, page 1, line 28, does not agree to the total actual operating expenses in the amount of \$1,772,498 shown on Schedule C-1, line 28.

Company Response – Please find the attached revised F-1. See also response to Item 4.

Item 6 - Net income shown on Schedule A-2, line 13, for the years 2006, 2007, and 2008-Actual in the amounts of \$659,710, \$455,251, and \$420,886, respectively does not agree to the net income shown on Schedule E-2, line 38, for the same years.

Company Response – See response to Item 4.

Item 7 - Net income shown on Schedule A-2, line 13, for the year 2008-Actual in the amount of \$420,886 does not agree to the net income shown on Schedule C-1, line 37, of \$539,305 and Schedule F-1, line 37, of \$614,728.

Company Response – See response to Item 5.

Item 8 - The \$1,106,732 in CWIP indicated on Schedule A-4, line 6, for the year 2007 (i.e. \$10,056,955 - \$8,950,223 = \$1,106,732) does not agree to the \$1,305,549 in CWIP for the year 2007 shown on line 4 of Schedule E-1.

Company Response – Schedule A-4 is correct. The computed difference between the construction expenditures and the amounts placed into service is not necessarily the amount of CWIP per the E-1 schedule. As should be apparent, there are construction expenditures from the prior year which were not placed into service in 2007. For example, for 2006 (line 4 of A-4), there were approximately \$198,816 more construction expenditures than amounts placed into service. If you add the \$198,816 to the \$1,106,732, the result will be \$1,305,549 – which happens to be the amount of CWIP on the E-1 at the end of 2007. The construction expenditures on the A-4 are consistent with the cash flow for construction expenditures on the E-3. The amounts placed into service for each year when added to the prior year end balance result in a match the plant in service balances on the E-1.

Item 9 - The \$366,750 in CWIP indicated on Schedule A-4, line 8 for the year 2008 (i.e. \$1,697,583 - \$1,330,833 = \$366,750) does not agree to the \$1,602,002 in CWIP for the year 2008 shown on line 4 of Schedule E-1 .

Company Response – Schedule A-4 is correct. Again, as should be apparent, there are construction expenditures from the prior year which were not placed into service in 2008. For example, for 2008 (line 8 of A-4), there were approximately \$366,750 more construction expenditures than amounts placed into service. If you add the \$366,750 to the prior year CWIP balance of \$1,305,548, the result will be \$1,672,298. You will observe on the E-1, that \$70,297 was placed into non-utility plant. The difference is \$1,602,002 (rounded) – which happens to be the amount of CWIP on the E-1 at the end of 2008. The construction expenditures on the A-4 are consistent with the cash flow for construction expenditures on the E-3. The amounts placed into service for each year when added to the prior year end balance result in a match to the plant in service balances on the E-1.

Item 10 - Taxes charged to operations shown on Schedule E-8, page 1, does not include “Taxes Other Than Income” whereas Schedule C-1 (line 25) includes “Taxes Other Than Income” in the amount of \$1 1,602. The schedules are not consistent, please correct or explain).

Company Response – The amounts reflected in Taxes Other Than Income consist of permits, fees, business licenses, and sales tax adjustments and are not “taxes” typically reflected on E-8. However, the E-8 has been revised to include those amounts. See attached. Arguably, since these are not technically taxes, they should be recorded in another account. If Staff wishes to re-class these expenses, it may do so at the appropriate time and the Company will consider the Staff proposal.

Item 11 - Schedule E-9 does not discuss income tax treatment-normalization or flow through nor does it discuss the interest rate used to charge interest during construction as required by the Administrative Code. Please provide the required information for the financial statements included in the application.

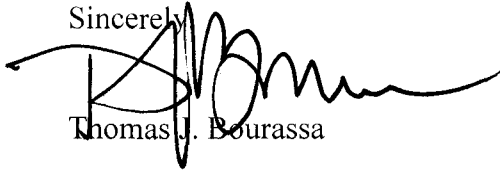
Company Response – Please see the revised E-9.

Item 12 - The Arizona Department of Environmental Quality Compliance Status Report (CSR) was not submitted with the filing. This CSR needs to be filed in this docket.

Company Response – Please see attached.

If you have any questions, or require further assistance, please contact me at 602-246-7150. In the future, as a professional courtesy, I would appreciate a call before the end of the sufficiency period in order to resolve issues.

Sincerely,

A handwritten signature in black ink, appearing to read 'Thomas J. Bourassa', written over the printed name.

Thomas J. Bourassa

Cc: Marian Homiak, Sahuarita Water Company

Sahuarita Water Company
 Test Year Ended December 31, 2008
 1 Inch Irrigation

Exhibit
 Schedule H-5
 Page 11
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumul- ative Billing	Cumul- ative Gallons (in 1,000's)
		2	3	5	4	2	3	4	4	4	4	6	6	48	48	48
1,000	1,000	1	3	-	-	-	1	1	1	1	1	1	3	12	60	12
2,000	2,000	2	-	1	1	-	1	1	1	-	2	1	-	10	70	32
3,000	3,000	1	-	-	-	1	-	-	-	1	-	-	-	3	73	41
4,000	4,000	-	-	2	-	-	1	-	-	-	2	1	-	6	79	65
5,000	5,000	1	2	2	2	-	2	1	1	1	1	1	2	17	96	150
6,000	6,000	2	3	1	1	2	2	2	2	1	-	-	1	16	112	246
7,000	7,000	-	-	-	1	1	1	1	1	1	1	1	2	11	123	323
8,000	8,000	2	2	2	1	1	1	1	3	-	-	-	1	12	135	419
9,000	9,000	2	1	1	1	-	-	1	1	1	-	-	4	13	148	536
10,000	10,000	2	2	1	2	1	3	1	2	2	3	3	1	14	162	676
11,000	11,000	2	2	1	-	2	2	2	2	4	1	3	3	23	185	929
12,000	12,000	1	2	1	2	2	2	1	1	1	-	2	2	20	205	1,169
13,000	13,000	2	4	1	-	2	2	1	1	1	-	1	1	18	223	1,403
14,000	14,000	3	2	5	4	2	-	1	1	1	2	-	2	23	246	1,725
15,000	15,000	2	1	1	1	1	-	2	1	2	1	1	-	13	259	1,920
16,000	16,000	-	1	-	-	5	2	-	-	-	1	1	1	10	269	2,080
17,000	17,000	2	2	1	2	2	1	1	1	1	2	1	2	16	285	2,352
18,000	18,000	-	1	2	3	-	2	-	-	1	1	1	2	14	299	2,604
19,000	19,000	1	-	2	-	1	-	1	1	1	1	1	2	10	309	2,794
20,000	20,000	-	-	1	1	1	1	3	1	1	2	-	-	9	318	2,974
21,000	21,000	1	-	-	-	2	2	1	1	1	1	2	-	10	328	3,184
22,000	22,000	-	-	1	1	1	2	-	-	2	1	1	1	10	338	3,404
23,000	23,000	-	-	-	1	-	-	-	-	-	1	1	1	7	345	3,565
24,000	24,000	-	-	-	-	-	-	-	-	2	-	-	1	3	348	3,637
25,000	25,000	-	-	-	1	1	1	1	1	-	-	-	2	6	354	3,787
26,000	26,000	1	1	-	1	3	-	1	-	-	-	-	-	7	361	3,969
27,000	27,000	-	-	1	-	1	1	1	1	-	-	1	-	6	367	4,131
28,000	28,000	-	-	-	-	-	1	1	1	-	-	2	-	5	372	4,271
29,000	29,000	-	-	-	-	-	-	1	1	-	-	1	-	5	377	4,416
30,000	30,000	-	-	-	-	-	-	1	-	1	-	-	-	2	379	4,476
31,000	31,000	1	-	1	1	1	1	-	-	-	1	-	-	4	383	4,600
32,000	32,000	-	2	-	-	-	-	-	1	-	-	-	-	4	387	4,728
33,000	33,000	-	-	-	-	-	-	-	-	-	1	-	-	1	388	4,761
34,000	34,000	1	-	-	-	-	-	-	-	-	-	-	-	3	391	4,863
35,000	35,000	-	-	-	-	-	-	2	-	-	-	-	-	2	393	4,933
36,000	36,000	1	-	-	-	-	-	-	-	1	-	-	-	2	395	5,005
37,000	37,000	-	-	-	-	-	-	-	-	-	-	-	-	1	396	5,042

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
38,000	38,000	1	-	-	-	-	1	-	-	-	-	-	-	2	398	5,118
39,000	39,000	-	-	-	-	-	-	-	1	-	1	-	-	2	400	5,196
40,000	40,000	-	1	-	1	-	-	-	-	1	-	1	-	4	404	5,356
41,000	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	404	5,356
42,000	42,000	-	1	-	-	-	-	-	-	-	1	-	1	3	407	5,482
43,000	43,000	-	-	-	-	-	1	-	-	1	-	-	-	2	409	5,568
44,000	44,000	-	-	-	-	1	-	-	3	-	-	-	-	4	413	5,744
45,000	45,000	1	-	-	-	-	-	-	2	-	-	-	-	4	417	5,924
46,000	46,000	-	-	-	-	-	-	-	-	1	-	-	-	1	418	5,970
47,000	47,000	-	-	-	-	-	-	-	-	-	-	-	1	1	419	6,017
48,000	48,000	1	-	-	-	-	-	-	-	-	-	-	-	2	421	6,113
49,000	49,000	-	-	-	-	1	-	-	-	-	-	-	-	1	422	6,162
50,000	50,000	-	-	-	-	-	1	-	-	-	-	1	-	3	425	6,312
51,000	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	425	6,312
52,000	52,000	-	-	-	-	-	-	1	-	-	-	-	-	2	427	6,416
53,000	53,000	-	-	-	-	-	-	-	-	-	1	-	-	1	428	6,469
54,000	54,000	-	-	-	-	-	-	-	-	-	1	-	-	1	429	6,523
55,000	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	429	6,523
56,000	56,000	-	-	-	-	-	-	1	-	-	-	-	-	3	432	6,691
57,000	57,000	-	-	2	-	-	-	-	-	-	-	-	-	1	433	6,748
58,000	58,000	-	-	-	-	-	-	-	1	-	-	-	-	-	433	6,748
59,000	59,000	-	-	-	-	-	-	1	-	1	-	-	-	3	436	6,925
60,000	60,000	-	-	-	-	-	-	-	-	-	-	-	-	1	437	6,985
61,000	61,000	-	-	1	-	-	-	-	-	-	-	-	-	-	437	6,985
62,000	62,000	-	-	-	-	-	-	-	-	-	-	1	-	1	438	7,047
63,000	63,000	-	-	-	-	-	-	-	1	-	-	-	-	1	439	7,110
64,000	64,000	-	-	-	-	-	1	-	-	-	-	-	-	1	440	7,174
65,000	65,000	-	-	-	-	-	-	-	-	1	-	-	-	1	441	7,239
66,000	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	441	7,239
67,000	67,000	-	-	-	-	-	-	-	-	-	-	-	-	1	442	7,306
68,000	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	442	7,306
69,000	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	442	7,306
70,000	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	442	7,306
71,000	71,000	-	-	1	-	-	-	-	-	1	-	-	-	1	443	7,377
72,000	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	443	7,377
73,000	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	443	7,377
74,000	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	443	7,377
75,000	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	443	7,377

Sahuarita Water Company
 Test Year Ended December 31, 2008
 1 Inch Irrigation

Exhibit
 Schedule H-5
 Page 11
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
76,000	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	443	7,377
77,000	77,000	-	-	-	-	-	-	1	-	-	-	-	-	1	444	7,454
78,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	444	7,454
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	444	7,454
80,000	80,000	-	-	-	-	-	-	-	-	1	-	-	-	1	445	7,534
81,000	81,000	-	-	-	-	-	-	1	-	-	-	-	-	1	446	7,615
82,000	82,000	-	-	-	-	-	-	-	-	-	-	-	1	1	447	7,697
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	1	1	448	7,780
84,000	84,000	-	-	-	1	1	-	-	-	-	-	1	-	3	451	8,032
85,000	85,000	1	-	-	-	-	-	-	-	-	-	-	-	2	453	8,202
86,000	86,000	-	1	-	-	-	1	-	-	-	-	-	-	1	454	8,288
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	454	8,288
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	454	8,288
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	454	8,288
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	454	8,288
91,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	454	8,288
92,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	454	8,288
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	454	8,288
94,000	94,000	-	-	-	-	1	-	-	-	-	-	-	-	1	455	8,381
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	455	8,381
96,000	96,000	-	-	1	-	-	-	-	-	-	-	-	-	1	456	8,476
97,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	456	8,476
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	456	8,476
99,000	99,000	1	-	-	-	-	-	-	-	-	-	-	-	1	457	8,575
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	457	8,575
103,000	103,000	-	1	-	-	-	-	-	-	-	-	-	-	1	458	8,678
113,000	113,000	-	-	-	-	-	-	-	-	-	-	-	-	1	459	8,791
105,000	105,000	-	-	-	1	-	-	-	-	-	-	-	-	2	461	9,001
136,000	136,000	-	-	-	1	-	-	-	-	-	-	-	-	1	462	9,137
181,000	181,000	-	-	-	1	-	-	-	-	-	-	-	-	1	463	9,318
368,000	368,000	-	-	-	1	-	-	-	-	-	-	-	-	1	464	9,686
111,000	111,000	-	-	-	-	1	-	-	-	-	-	-	-	1	465	9,797
251,000	251,000	-	-	-	-	1	-	-	-	-	-	-	-	1	466	10,048
157,000	157,000	-	-	-	-	-	-	1	-	-	-	-	-	1	467	10,205
359,000	359,000	-	-	-	-	-	-	1	-	-	-	-	-	1	468	10,564
153,000	153,000	-	-	-	-	-	-	1	-	-	-	-	-	1	469	10,717
138,000	138,000	-	-	-	-	-	-	-	-	-	-	-	-	2	471	10,993
241,000	241,000	-	-	-	-	-	-	1	-	-	-	-	-	1	472	11,234

Sahuarita Water Company
 Test Year Ended December 31, 2008
 1 Inch Irrigation

Exhibit
 Schedule H-5
 Page 11
 Witness: Bourassa
 REVISED

Meter Size:

Usage From:	Usage To:	Month of Jan-08	Month of Feb-08	Month of Mar-08	Month of Apr-08	Month of May-08	Month of Jun-08	Month of Jul-08	Month of Aug-08	Month of Sep-08	Month of Oct-08	Month of Nov-08	Month of Dec-08	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
155,000	155,000	-	-	-	-	-	-	-	1	-	-	-	-	1	473	11,389
116,000	116,000	-	-	-	-	-	-	-	1	-	-	-	-	1	474	11,505
125,000	125,000	-	-	-	-	-	-	-	-	1	-	-	-	1	475	11,630
140,000	140,000	-	-	-	-	-	-	-	-	1	-	-	-	1	476	11,770
160,000	160,000	-	-	-	-	-	-	-	-	-	1	-	-	1	477	11,930
169,000	169,000	-	-	-	-	-	-	-	-	-	1	-	-	1	478	12,099
146,000	146,000	-	-	-	-	-	-	-	-	-	-	1	-	1	479	12,245
166,000	166,000	-	-	-	-	-	-	-	-	-	-	-	1	1	480	12,411
107,000	107,000	-	-	-	-	-	-	-	-	-	-	-	-	1	481	12,518
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	481	12,518
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	481	12,518

Totals	38	38	39	41	39	40	40	40	40	41	41	42	42	481		
	Average Usage													26,025		
	Median Usage													59,000		

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Summary of Results of Operations

Exhibit
Schedule A-2
Page 1
Witness: Bourassa
REVISED

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Prior Years Ended</u>		<u>Test Year</u>		<u>Projected Year</u>	
		<u>12/31/2006</u>	<u>12/31/2007</u>	<u>Actual</u> <u>12/31/2008</u>	<u>Adjusted</u> <u>12/31/2008</u>	<u>Present</u> <u>Rates</u> <u>12/31/2009</u>	<u>Proposed</u> <u>Rates</u> <u>12/31/2009</u>
1	Gross Revenues	\$ 1,751,143	\$ 1,986,564	\$ 2,187,744	\$ 2,215,143	\$ 2,215,143	\$ 3,377,358
2							
3	Revenue Deductions and	1,130,584	1,529,118	1,772,498	2,044,524	2,044,524	2,487,149
4	Operating Expenses						
5							
6	Operating Income	\$ 620,559	\$ 457,446	\$ 415,246	\$ 170,618	\$ 170,618	\$ 890,209
7							
8	Other Income and	68,856	31,568	127,963	-	-	-
9	Deductions						
10							
11	Interest Expense	-	-	(3,904)	-	-	-
12							
13	Net Income	\$ 689,415	\$ 489,014	\$ 539,305	\$ 170,618	\$ 170,618	\$ 890,209
14							
15	Earned Per Average						
16	Common Share	N/A	N/A	N/A	N/A	N/A	N/A
17							
18	Dividends Per						
19	Common Share	N/A	N/A	N/A	N/A	N/A	N/A
20							
21	Payout Ratio	N/A	N/A	N/A	N/A	N/A	N/A
22							
23	Return on Average						
24	Invested Capital	7.33%	2.84%	2.24%	0.67%	0.61%	3.20%
25							
26	Return on Year End						
27	Capital	6.31%	2.07%	2.19%	0.67%	0.56%	2.95%
28							
29	Return on Average						
30	Common Equity	29.23%	6.92%	4.41%	1.45%	1.33%	6.75%
31							
32	Return on Year End						
33	Common Equity	27.86%	4.19%	4.22%	1.44%	1.33%	6.56%
34							
35	Times Bond Interest Earned						
36	Before Income Taxes	-	-	106.36	-	-	-
37							
38	Times Total Interest and						
39	Preferred Dividends Earned						
40	After Income Taxes	-	-	108.81	-	-	-
41							
42							
43	<u>SUPPORTING SCHEDULES</u>						
44	C-1						
45	E-2						
46	F-1						

Sahuarita Water Company, LLC
 Test Year Ended December 31, 2008
 Projected Income Statements - Present & Proposed Rates

Exhibit
 Schedule F-1
 Page 1
 Witness: Bourassa

REVISED

Line No.		Test Year Actual Results	At Present	At Proposed
			Rates Year Ended 12/31/2009	Rates Year Ended 12/31/2009
1	Revenues			
2	Metered Water Revenues	\$ 2,030,502	\$ 2,057,901	\$ 3,220,116
3	Unmetered Water Revenues	-	-	-
4	Other Water Revenues	157,242	157,242	157,242
5		<u>\$ 2,187,744</u>	<u>\$ 2,215,143</u>	<u>\$ 3,377,358</u>
6	Operating Expenses			
7	Salaries and Wages	\$ -	\$ -	\$ -
8	Purchased Water	118,875	4,256	4,256
9	Purchased Power	141,901	147,364	147,364
10	Fuel for Power Production	-	-	-
11	Chemicals	11,535	11,866	11,866
12	Repairs and Maintenance	75,423	75,423	75,423
13	Materials & Supplies	30,131	30,131	30,131
14	Outside Services	730,103	770,603	770,603
15	Water Testing	8,750	8,750	8,750
16	Rents	13,195	13,195	13,195
17	Transportation Expenses	22,358	22,358	22,358
18	Insurance - General Liability	21,111	21,111	21,111
19	Insurance - Health and Life	-	-	-
20	Reg. Comm. Exp.	-	-	-
21	Reg. Comm. Exp. - Rate Case	-	75,000	75,000
22	Miscellaneous Expense	14,724	14,724	14,724
23	Bad Debt Expense	109	109	109
24	Depreciation Expense	503,454	610,853	610,853
25	Taxes Other Than Income	11,602	11,602	11,602
26	Property Taxes	69,226	122,230	122,230
27	Income Tax	-	104,948	547,573
28	Total Operating Expenses	<u>\$ 1,772,498</u>	<u>\$ 2,044,524</u>	<u>\$ 2,487,149</u>
29	Operating Income	<u>\$ 415,246</u>	<u>\$ 170,618</u>	<u>\$ 890,209</u>
30	Other Income (Expense)			
31	Interest Income	123,085	-	-
32	Other income	9,544	-	-
33	Interest Expense	(3,904)	-	-
34	Other Expense	(4,666)	-	-
35	Gain/Loss Sale of Fixed Assets	-	-	-
36	Total Other Income (Expense)	<u>\$ 124,059</u>	<u>\$ -</u>	<u>\$ -</u>
37	Net Profit (Loss)	<u>\$ 539,305</u>	<u>\$ 170,618</u>	<u>\$ 890,209</u>
38				

Sahuarita Water Company, LLC
 Test Year Ended December 31, 2008
 Taxes Charged to Operations

Exhibit
 Schedule E-8
 Page 1
 Witness: Bourassa
 REVISED

Line No.	Description	Test Year Ended <u>12/31/2008</u>	Prior Year Ended <u>12/31/2007</u>	Prior Year Ended <u>12/31/2006</u>
1	Description			
2				
3	Federal Income Taxes	\$ -	\$ -	\$ -
4	State Income Taxes	-	-	-
5	Payroll Taxes	-	-	-
6	Property Taxes	69,226	56,022	45,782
7	Other (permits, fees, licenses)	11,602	-	-
8	Totals	<u>\$ 80,828</u>	<u>\$ 56,022</u>	<u>\$ 45,782</u>
9				
10				
11				
12				
13				
14				

Sahuarita Water Company, LLC
Test Year Ended December 31, 2008
Notes To Financial Statements

Exhibit
Schedule E-9
Page 1
Witness: Bourassa
REVISED

Company does not conduct independent audits

The Company is a member-owned limited liability company and is a tax pass-through entity. However, the Company is proposing income taxes for rate making purposes.

The Company uses different depreciation rates for tax than for book purposes.

The Company is proposing inclusion of deferred income taxes in rate base for ratemaking purposes

The Company does not record Allowance for Funds used During Construction (AFUDC).

Arizona Department of Environmental Quality
Drinking Water Monitoring and Protection Unit
Mail Code 5415B-2
1110 West Washington Street
Phoenix, AZ 85007

Drinking Water Compliance Status Report


System Name	System Type	Is system consecutive?
SAHUARITA WC	<input checked="" type="checkbox"/> Community	<input type="checkbox"/> Yes, to PWS #
System ID #	<input type="checkbox"/> Non-transient Non-community	<input checked="" type="checkbox"/> No
10312	<input type="checkbox"/> Transient Non-community	

Overall compliance status	<input checked="" type="checkbox"/> No major deficiencies	<input type="checkbox"/> Major deficiencies
Monitoring and Reporting status	<input checked="" type="checkbox"/> No major deficiencies	<input type="checkbox"/> Major deficiencies
Comments: None		

Operation and Maintenance status	<input checked="" type="checkbox"/> No major deficiencies	<input type="checkbox"/> Major deficiencies
Date of last Sanitary Survey	5/31/07	Inspector
		Stephen Devereaux, SRO
Major unresolved/ongoing operation and maintenance deficiencies:		
<input type="checkbox"/> unable to maintain 20psi	<input type="checkbox"/> inadequate storage	
<input type="checkbox"/> cross connection/backflow problems	<input type="checkbox"/> surface water treatment rule	
<input type="checkbox"/> treatment deficiencies	<input type="checkbox"/> atc/aoc	
<input type="checkbox"/> certified operator	<input type="checkbox"/> other =	
Comments: None		

Is an ADEQ administrative order in effect?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Comments: None		

System Information	
Population Served	11778
Service Connections	3926
Number of Entry Points to the Distribution System	2
Number of Sources	2
Initial Monitoring Year	1998
Monitoring Assistance Program (MAP) System	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Evaluation completed by	Donna Calderon, Manager 		
	Drinking Water Monitoring and Protection Unit		
Phone	602-771-4641	Date	January 12, 2009
<input checked="" type="checkbox"/>	Based upon data submitted by the water system, ADEQ has determined that this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4.		
<input type="checkbox"/>	Based upon the monitoring and reporting deficiencies noted above, ADEQ cannot determine if this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4.		
<input checked="" type="checkbox"/>	Based upon the operation and maintenance deficiencies noted above, ADEQ cannot determine if this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4.		

This compliance status report does not guarantee the water quality for this system in the future, and does not reflect the status of any other water system owned by this utility company.